



Actuarial Office
P.O. Box 1494
Sacramento, CA 95812
Telecommunications Device for the Deaf - (916) 795-3240
(888) CalPERS (225-7377) FAX (916) 795-3005

April 18, 2006

AGENDA ITEM 6

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

I. SUBJECT: June 30, 2005 Judges' Retirement System
Actuarial Valuation Report and Transmittal Letter to
the Governor and Legislature.

II. PROGRAM: Actuarial & Employer Services

III. RECOMMENDATION:

- The Committee recommends to the Board of Administration approval of the June 30, 2005 Judges' Retirement System Actuarial Valuation Report.
- The Committee recommends that the Board of Administration strongly urge the California Legislature and Governor to adopt an employer contribution schedule that properly funds the Judges' Retirement System.

IV. ANALYSIS:

Enclosed is the CalPERS staff actuarial valuation report as of June 30, 2005 for the Judges' Retirement System (JRS). Also attached is the transmittal letter to the Governor and Legislature.

As can be seen in our report, JRS continues to be extremely under funded. It is in a poorly funded position due to the pay-as-you-go contribution basis followed by the State. Page 5 of the valuation report shows a projection of expected benefit payouts from the System in the coming years. Appendix C of the report shows a projection of expected statutory contributions, projected future benefit payouts and actuarially recommended contributions under the two alternative funding patterns being proposed for consideration for the next ten fiscal years beginning July 1, 2006. The actuarial value of assets, at market value, for JRS

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as of June 30, 2005, was \$17.244 million and the present value of benefits of the System as of the same date was \$2.528 billion based on a 7.0% investment return assumption. Progress in the funded status of JRS can be achieved if the State commences making contributions according to either one of our recommended actuarially determined contribution patterns.

As part of a law change that added the Extended Service Incentive Program to the Judges' Retirement System Law for the purpose of providing an incentive for judges eligible to receive the maximum retirement benefit to remain in public service, the board is to report the cost of the program to the Legislature in the beginning of 2006. Appendix E summarizes the actuarial cost of the program for purposes of reporting to the Legislature, as required by Law, for fiscal year 2006/2007.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

VI. RESULTS/COSTS:

See enclosed actuarial report.



Gale Patrick, F.S.A., M.A.A.A.
Enrolled Actuary
Senior Pension Actuary, CalPERS



Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.
Enrolled Actuary
Chief Actuary, CalPERS

Attachments